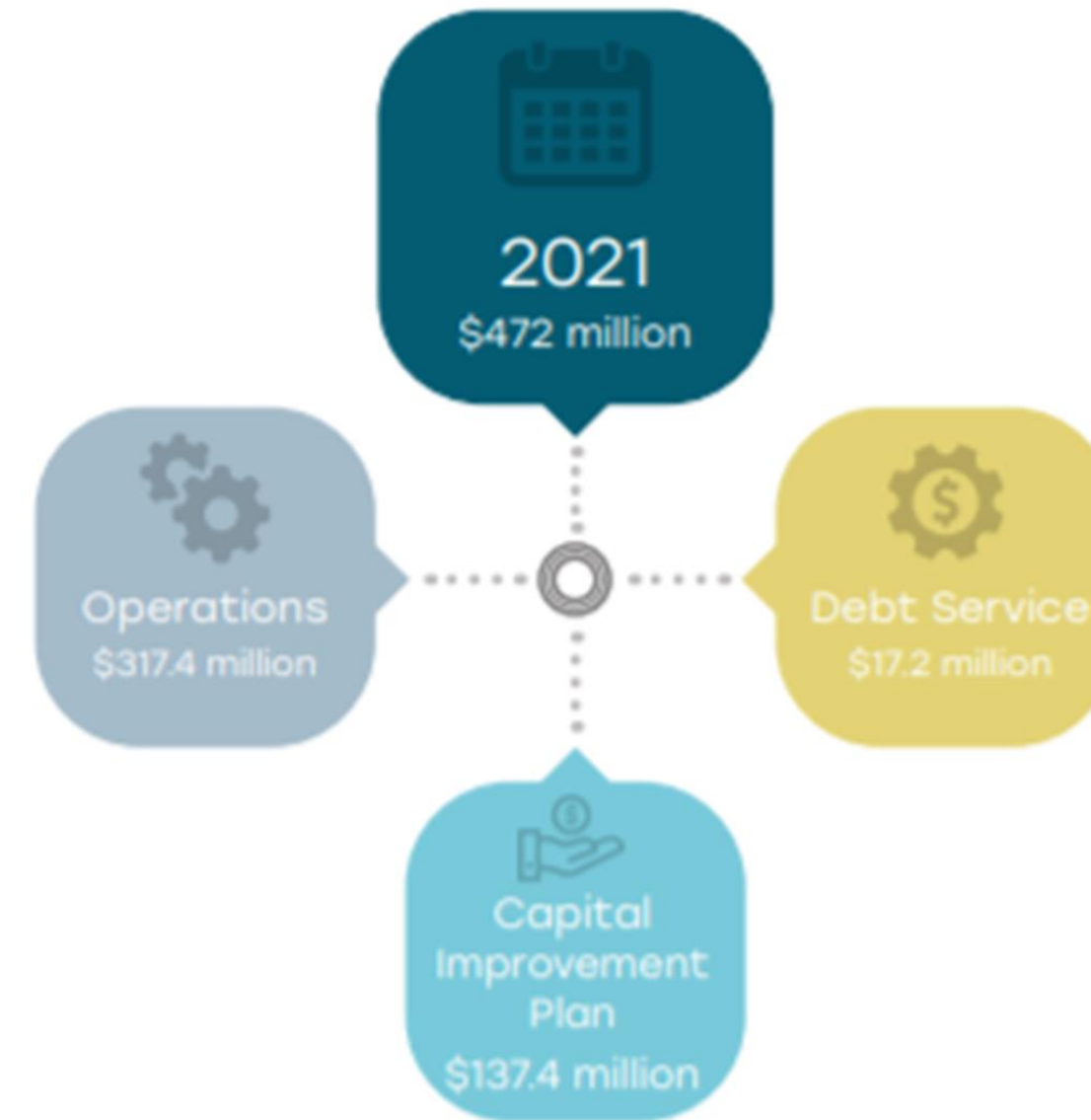




2022/2023 BUDGET

Factors Influencing the Budget

City of Rochester Budget 2021, inclusive of RPU



BUDGET FORMULA



Team Rochester

Draft: 2/26/2021
Final: when Council
advance is scheduled

Budget, Capital Improvement, and Long Term Financial Management Plan Process

PHASE 1:
Preparation

March 1 through April 16

PHASE 2:
Prioritization

April 5 through May 7

PHASE 3:
Development

May 28 through July 16

PHASE 4:
Recommendation

July 19 through October 11

PHASE 5:
Adoption

September 20 through December 13

Pandemic Impacts

4 SLIDE

In 2020, the city had to facilitate a second budget process mid-year to make \$26.2 million in cuts in the 2020 budget adjustments due to the pandemic impacts.



Our 2021 budget (\$472M) reflects our commitment to the community and our need to respond to the challenges:

- No tax levy increase
- No parking ramp or transit rate increases
- \$101.8M reduction from 2020



Rochester has a history of strong fiscal management:

- One of the few AAA/Aaa bond rated cities in the state.
- Has received a Certificate of Achievement for Excellence in Financial Reporting for almost 50 years, the longest in the state of Minnesota.
- Demonstrates the City's commitment to being sound fiscal stewards of the community.



City of Rochester Liquor License Relief for 2021 is intended is to make license holders 'whole' and not pay any liquor license for the year.

Pandemic Impacts

5 SLIDE



Airport Traffic is down (impacting restaurants and lodging)

- Commercial passengers = 125,000 (37% of 2019 passengers)
- Aircraft operations = 39,000 (84% of 2019 operations) [through November, YTD]
- Cargo transported = 18,000,000 lbs. (85% of 2019 cargo volume)



Lodging Tax collection is dramatically down:

The pandemic has impacted our lodging taxes much more than our sales taxes:

- Lodging Tax amounts declined \$3,748,436, or 57.6% from prior year over same-period collections (March-September)
- City Sales Tax amounts declined \$799,183, or 7.0% from prior year same period collections (March-September)
- Lodging Occupancy has been hit hard, even with clinic operations being active. Occupancy rates (OCC) are at 41% for 2020 through October 2020 (in 2019, they were 65%).



Transit ridership and parking ramp usage downtown is dramatically down, impacting local government revenue:

- Transit Ridership for 2020 through 10/2020: 760,074 (in 2019, ridership was 2.1 million)
- Parking impacts:
 - 2020 Full Year Ramp Uses were down 50% at approximately 660,000 (in 2019, they were 1.2 million uses or about \$5.1 million in revenue); that has an impact of a \$1 million revenue reduction (about 20% year-over-year change)



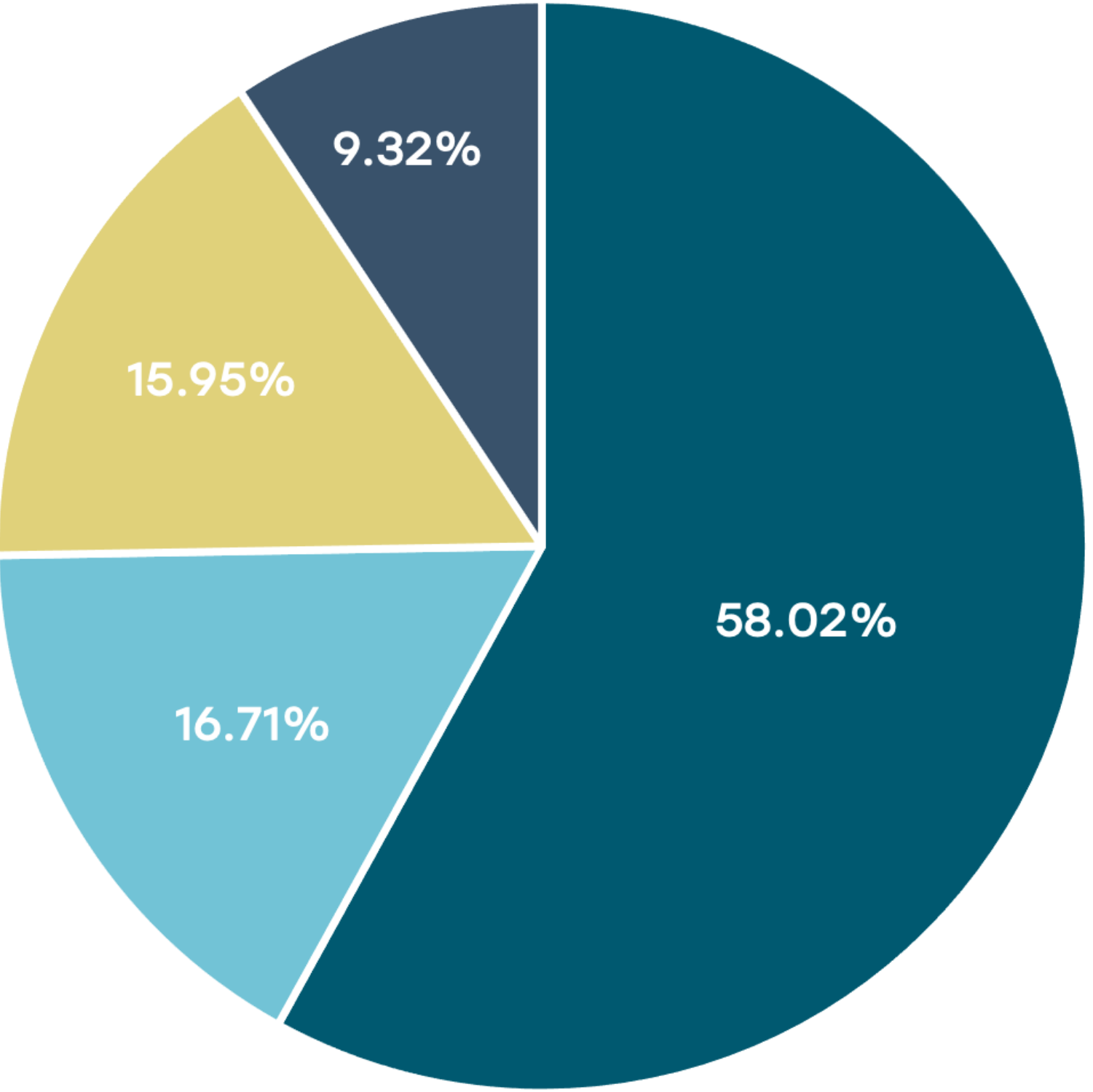
2022/23 Considerations

- **2022 Property Valuation Growth: Preliminary estimates:**

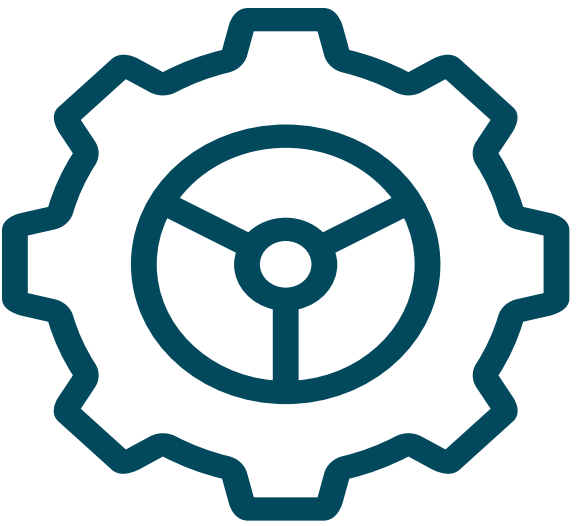
New Construction	1.4%
Valuation Adjustment	<u>3.0%</u>
Total Growth In EMV	4.4%

- **Long Term Budget Stability** - Develop a strategy to effectively offset the use and addition of one time funding.
 - General Fund reserves utilized to fund 2021 budget
 - Positions frozen, other expenditures reduced, and tax levy supported CIP reduced to fund 2021 budget
 - Addition of one-time funding from 2020 budget due to COVID reimbursements

General Fund Expense
\$96,955,994



- Public Safety
- Public Works
- General Gov.
- Other





Revenue Impacts in Levy Supported Operations

- **Lodging Tax:** down approximately 50% since pandemic
- **LGA:** Formula decrease of \$1.5 million (active legislative efforts)
- **In-Lieu of Tax payments:** declining trend (down \$445K from 2019)
- **Building Permit Revenue** down \$580K (19%) from 2019
- **Property Tax Delinquency:** \$2 million



Revenue Impacts in Levy Supported Operations

- **Liquor License** – Budgeted increases not implemented
- **Other fees** – Reduced collections, policy amendments, and options for revenue diversification
- **American Rescue Plan-** Early indications are that we will be provided \$17M as part of the American Rescue Plan to support budget stability, economic resiliency, and people. A recommendation will be forthcoming to the Council in April or May.

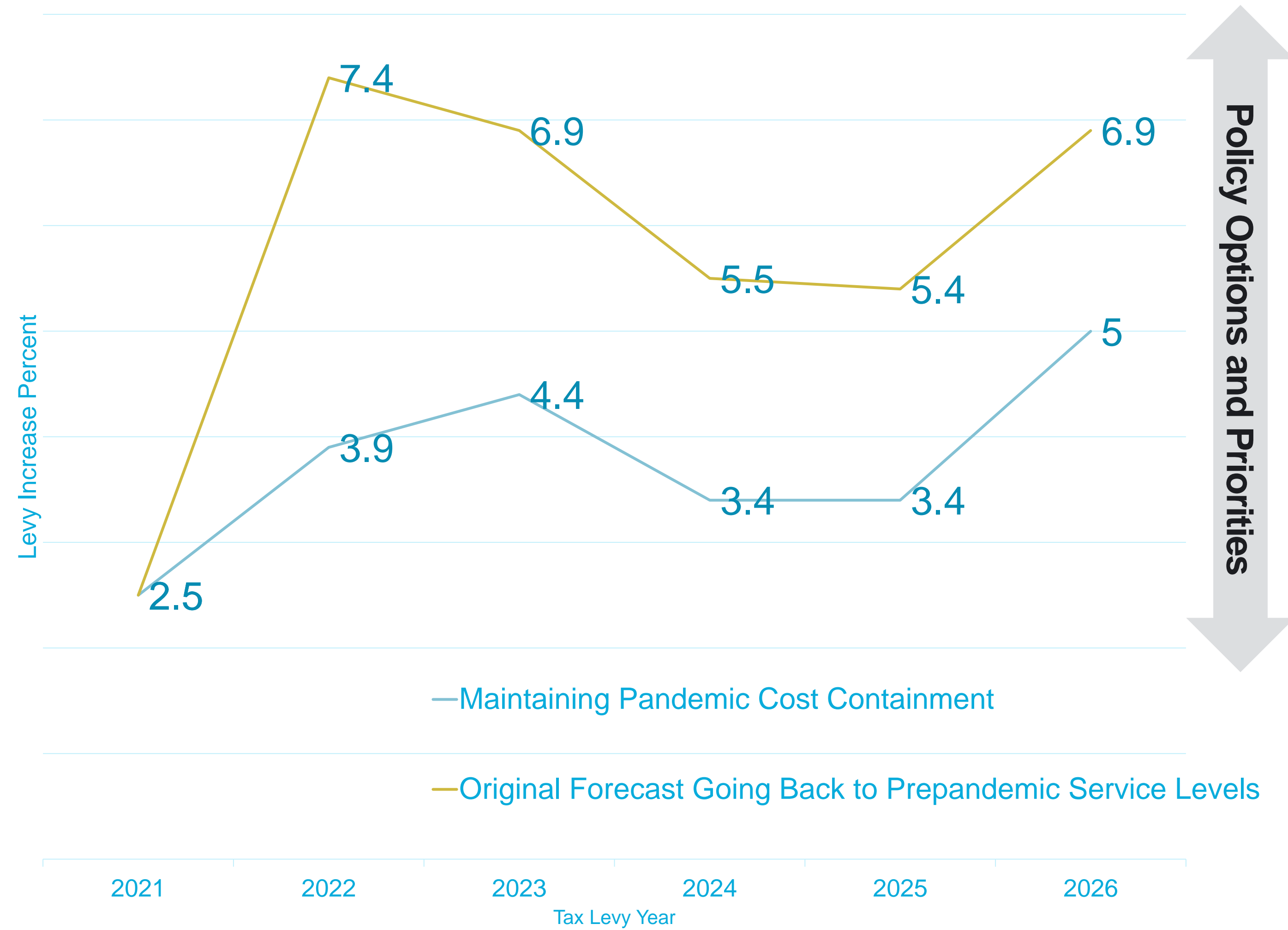


Expense Trends

- **Step and Salary Adjustments:** 4.08% overall
- **Health and Dental:** Approximately 6% increase (trend)
- **Fixed Service Contract Renewals:** Inflationary Adjustments-Some Significant
- **Other Unknowns:**
 - District Energy – Financing Capital and Operational Changes
 - Phone System Transition – Legacy phone system is being phased out and new options will have cost implications.
 - Unsettled bargaining agreements

Six-Year Forecast Scenarios

Annual Percent Increase In Levy





Other Enterprise Funds

- **Parking Fund** – Fee increases resulted in less contract parking and no waiting list. Pandemic impacts and decisions to waive parking fees during the pandemic have also reduced retained earnings.
- **Transit Fund** – Revenue reductions have been offset by Federal Funding, but sustainability is uncertain.
- **Airport Fund** – Revenue reductions have been offset by Federal Funding, but sustainability is uncertain.



Other Enterprise Funds

- **Equipment Revolving** – Limited replacements to save \$'s now create backlogs for future
- **Workers Compensation Fund** - Trend challenges driving need to increase contribution rates
- **Facility Capital Reserve Fund** – Currently not funded with significant liabilities.